

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Friday, February 20, 1998, 12:00 p.m.

Utah Association of Counties Offices

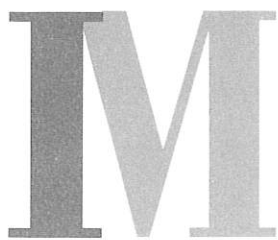
4021 South 700 East, Suite 180, Salt Lake City

A G E N D A

12:00 Lunch

Call to Order	Gary Herbert
Review of Board Members Absent	Gary Herbert
Approval of January 30 and February 11, 1998, Minutes	Gary Herbert
Actuary Appointment and Contract	Brett Rich
Broker Report	Rich Stokluska
Loss Control Report	Shawn Guzman
Insurance Department Hearing (Changes to Article 5.2 of the Bylaws)	Brett Rich
Weber County Membership Proposal	Brett Rich
Director's Report	Brett Rich
April Membership Meeting Agenda	Brett Rich
Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
Action on Litigation Matters	Kent Sundberg
Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
Other Business	Gary Herbert

3:30 Adjourn



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UACIM BOARD OF TRUSTEES MEETING MINUTES

February 20, 1998, 12:00 p.m.
Utah Association of Counties Offices

BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner
Jerry Hess, *Vice President*, Davis County Deputy Attorney
Dan McConkie, *Secretary/Treasurer*, Davis County Commissioner
Chad Johnson, Beaver County Commissioner
Ty Lewis, San Juan County Commissioner
Monte Munns, Box Elder County Assessor-Treasurer
Tex Olsen, Sevier County Commissioner
John Swasey, Duchesne County Commissioner

BOARD MEMBERS ABSENT

Tony Dearden, Millard County Commissioner

OTHERS PRESENT

Kent Sundberg, Chairman, Litigation Management Committee
Brent Gardner, UAC Executive Director
Brett Rich, Director, UACIM
Shawn Guzman, Loss Control Manager
Sonya White, Executive Assistant
Rich Stokluska, GRMS Account Executive
Doug Alexander, McLarens Toplis Claims Administrator

CALL to ORDER

Gary Herbert requested that Jerry Hess conduct this meeting. Jerry called the meeting to order and welcomed those in attendance.

REVIEW of BOARD MEMBERS ABSENT

Tony Dearden requested that the Board excuse him from this meeting due to an illness in his family. Monte Munns made a motion to excuse Tony from this meeting. Dan McConkie seconded the motion, which passed unanimously.

APPROVAL of JANUARY 30 and FEBRUARY 11, 1998, MINUTES

The minutes of the Board of Trustees meeting held on January 30, 1998 and the Telephonic Conference held on February 11, 1998 were previously sent to the Board Members for review. Brett Rich requested that in the ACTUARY SERVICES item of the February 11 minutes, language in the fourth paragraph should be corrected from *...contacted three other recommended...* to *...looked at two actuarial proposals from previous years...* In the fifth paragraph, strike the language *...but the auditors would prefer \$2 million.* In the seventh paragraph change the language to state, *Brett explained that the problem with Coopers & Lybrand did not arise until January.* Dan McConkie made a motion to approve the January 30 minutes as written and the February 11 minutes as corrected. Chad Johnson seconded the motion, which passed unanimously.

ACTUARY APPOINTMENT and CONTRACT

Following is the proposed language, on page five section two, of the actuarial contract between UACIM and Coopers & Lybrand:

1021 SOUTH 700 EAST

SALT LAKE CITY

UTAH

TELEPHONE 341107

801-265-1331

FAX 801-265-9185

Limitation of Liability. NEITHER PARTY SHALL BE LIABLE FOR LOST PROFITS OR ANY OTHER CONSEQUENTIAL, INCIDENTAL, INDIRECT, PUNITIVE OR SPECIAL DAMAGES EVEN IF C&L HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. In any event, the liability of C&L to UACIM shall be limited to direct damages and shall not exceed the fees paid by UACIM to C&L for the particular Engagement Schedule(s) under which the claim arises or to which it relates. This limitation applies to all causes of action or claims in the aggregate, including without limitation, breach of contract, negligence, strict liability and other torts. Further, no cause of action, which accrued more than two years prior to the filing of a suit alleging such cause, may be asserted against either party.

Brett Rich explained that this language was unacceptable because, 1) liability is for direct damages only, 2) damages can not exceed the fees (even though C&L agreed to carry \$2 million E&O insurance), and 3) there is no cause of action after two years from the event, not the knowledge, of an error. Because this language was non-negotiable, the Board awarded the actuarial contract to Taylor, Walker & Associates during the February 11 telephonic conference.

Brett reviewed the changes to the actuarial contract between UACIM and Taylor, Walker & Associates. On page two language was added to reflect the format of the information and the date the information must be delivered to Taylor, Walker & Associates. A date by which Taylor, Walker & Associates will have their opinion and Schedule P of the Annual Statement complete was included in language on page three. Amount of total fees was changed to \$7,000 and the amount of E&O insurance was changed from \$2 million to \$1 million. Brett is in the process of drafting a letter to the Insurance Department notifying them of the change in actuary.

BROKER REPORT

Rich Stokluska reported that three quotes were received to provide professional liability coverage to cover the Uintah County Care Center through the Mutual. One quote was discarded because it was so high, Evanston Insurance Company quoted \$14,714 and St. Paul Insurance Company quoted \$9,241. Rich recommended that the Board purchase the St. Paul policy which has a \$1 million per occurrence limit, \$3 million aggregate limit with no deductible as opposed to the Evanston policy which has a \$1 million per occurrence limit and a \$1 million aggregate limit with a \$10,000 per claim deductible. Also, defense costs are inside the limit of liability with the Evanston policy and outside the limit with St. Paul. Professional liability covers nurses on staff, volunteers, administrators and names the entity but excludes physicians that already carry medical malpractice. Great American has agreed to credit the premise coverage on the Care Center.

Brett Rich explained that Uintah is the only Member County with a nursing home insured by the Mutual. Health Care Professionals is a significant exposure that was covered under the AIG policy but is now excluded under the Great American policy. A number of counties own hospitals and nursing homes but are insured by those who maintain and operate the facilities. From the results of a survey sent to each member, Brett is determining the Mutual's total exposure in the health area in anticipation of the possibility of starting a separate, first dollar program for health care professional including medical malpractice. Gary Herbert made a motion to purchase the St. Paul policy to provide professional liability coverage for the 1998 policy year. For 1999, research the possibility of a separate first dollar program. Dan McConkie seconded the motion, which passed unanimously.

Rich Stokluska explained that he has been meeting with the underwriters of Coregis Insurance Company regarding the possibility of starting a separate first dollar program for special districts. Coregis has an aggressive unit that only handles special districts and are quite interested in provided this type of program to the Mutual. Coregis will cover most districts for auto, umbrella, property, general liability, crime and public officials' liability. All applications are submitted, quoted and policies issued electronically. This program will give the Mutual the opportunity to provide a need that is not being filled. Ty Lewis made a motion authorizing Arthur J. Gallagher to negotiate a special district program with Coregis Insurance Company as a separate program through the Mutual. Also, propose what effect this program will have on the Mutual and if a 1½% fee should be included in the premiums to cover the Mutual's costs. Chad Johnson seconded the motion, which passed unanimously.

LOSS CONTROL REPORT

Pursuant to his written report (see attachment #1), Shawn Guzman reported on the following activities:

1. To date, five counties have committed to send officers to the POST Small Agency Skills Workshop. Shawn has been invited to participate in the coordination of regional training with the regional administrators of POST.

2. Questionnaires were sent to all member county personnel directors requesting topics for workshops. The results will be discussed at the Personnel Committee meeting scheduled for March 5.
3. While in Kane County, Shawn discovered a million-dollar building and a \$100,000 arena that was not included in the County's property schedule. These buildings have been added to the schedule and reported to the Broker.
4. It has been suggested that the Mutual conduct a weed-spraying workshop at the Road School in St. George. Shawn will be attending a Weed Association seminar next week in Provo and will determine whether or not the Loss Control Department will focus on this area at the Road School. The Board directed Shawn to research whether or not all individuals involved in the county weed spraying operations are certified and whether or not the contracts between the counties and the BLM have an indemnification clause.
5. Shawn assisted Iron County in conducting their Accident Review Board. Some of the smaller counties have opted to combine their Accident Review Board and Loss Prevention Committee. Shawn is promoting that the committees should meet at least each quarter even if they have no accidents to review.
6. Shawn assisted two counties in resolving personnel related issues and noted that with two attorneys on staff the counties have felt confident in contacting the Mutual to discuss and resolve issues before problems arise.
7. Shawn is reviewing the member's property schedules for Landfills and checking that they are in compliance with all required testing procedures. Each landfill he has checked so far is in compliance.
8. Shawn will attend the Jail Standards training next week and will also begin participating in the jail inspections. The Mutual does not have copies of past inspections on file but will now receive the inspection results.
9. During Shawn's review of county owned fire departments, he found that most are special service districts but that many are uncertain who is insuring the district and what is the extent of the coverage. Most of the counties own the vehicles but uncertain who maintains the vehicles. Shawn will continue to research this area and work with the county attorneys to possibly specify coverage in their lease agreements and also consider language in the Risk Management Program for keeping maintenance records.
10. Trustees questioned how coverage for homes acquired during tax sales and old vehicle being used for undercover law enforcement operations should be handled. They were advised that these properties and vehicles must be reported to the Mutual.

INSURANCE DEPARTMENT HEARING

Brett Rich reported that he will be meeting with Deputy Commissioner, Neal Gooch, of the Insurance Department on February 27 to discuss whether a hearing should be held prior to or following the Membership Meeting regarding the proposed changes to Article 5.2 of the UACIM Bylaws.

WEBER COUNTY MEMBERSHIP PROPOSAL

Brett Rich explained that APEX determined Weber County's exposure to the loss fund is \$135,000. The Mutual's attachment point will increase by that amount if Weber County joins. The premium for the loss fund will not be pro rated if the County joins in April but the increase to the excess premium will be pro rated. The total premium quoted to Weber County was \$290,572. DIC and the additional excess liability are not included in that amount. Brett prepared a summary sheet comparing coverages and will continue to work with Dave until a decision is made.

DIRECTOR'S REPORT

UMBRELLA POLICY Brett Rich explained that the umbrella policy is not an optional program and that Davis County has decided to pay their portion of the additional excess liability premium. There was also a question as to what the aggregate limit is on both the package policy and the umbrella policy. APEX sent a copy of a letter addressed to the Mutual's underwriter from Great American, which reads:

Per our most recent discussion regarding the aggregate limit on this policy. It is our intent to follow the underlying aggregate. That is to say, where there is a per member or per location aggregate provided in the underlying line of coverage, our policy will also respond with a per member or per location aggregate.

Brett read section CG7842 of the Mutual's package policy, which states: *The general aggregate limit, under limits of insurance section three, applies separately to each member.* Therefore, the coverage is clear, in that Guaranty National intends to apply the aggregate on the umbrella policy.

ORGANIZATIONAL CHART Brett Rich explained that as part of the financial examination being conducted by the Insurance Department, they have requested an organizational chart of the Mutual. The consulting firms who have responded to the

RFP have also made a request. Brett designed a draft chart for the Board to review. The Board directed Brett change the placement of the Utah Association of Counties and the Loss Control Manager on the chart and replace *Marketing* with *Broker*.

TRUSTEES BIOS A copy of a letter received from the Insurance Department was previously sent to the Trustees stating that the Mutual was not in compliance with §31A-410 which requires that the Insurance Department have biographical information on all the Mutual's Trustees. Therefore, a form was sent to be completed by each Trustee and returned as soon as possible.

MID TERM EXPOSURES Brett Rich explained that members adding properties to the policy mid term may be assessed an additional premium only if the property exceeds 10% of the county's total insured value. Any additional assessment is based only on the excess portion of the real property at mid term. At renewal, the property will be based on the entire exposure. The policy provides for builders risk coverage at no additional premium unless the completed property is valued over \$5 million. All properties, including builders risk must be reported within 30 days.

LOSS CHARTS Brett Rich reviewed the 24 and 36-month total incurred comparison charts (see attachment #2). Policy year 1995 continues to trend as a good year for the Mutual, which has been verified by the Actuary, Glen Taylor. The Mutual is close to recouping the IBNR's for 1995. Brett reviewed a chart showing the number of claims per year as of December 31, 1997 loss reports. 1992 had 307 claims, 1993 had 329, 1994 had 373, 1995 had 309, 1996 had 258 and 1997 had 174.

RFP FOR CONSULTING SERVICES Brett Rich explained that three proposals have been received to perform the audit of the UACIM program. Brett did not have a chance to review the proposals but gave the Board the bids for the services. Tillinghast bid \$27,500 +\$2,500 to personally report to the Board, Warren McVey \$12,000 +\$185 per hour to report to the Board, Arm Tech \$8,900 +\$1,250 to report to the Board. The Advisory Committee will review these proposals and give a recommendation to the Board. The Advisory Committee was designed to have members other than those on the UACIM Board of Trustees. Two of the Committee members have been elected to the Board of Trustees so the Committee will be reorganized at its next meeting.

APRIL MEMBERSHIP MEETING AGENDA

The Membership meeting will be held April 15, 1998, 4:00 p.m. at the Sevier Valley Technical Center in Richfield. The Board set the agenda and assigned those who will be making presentations (see attachment #3). Brent Gardner explained that through the Technical Center, satellite broadcasting is available if the Board would like to conduct training. Brent and Brett Rich will see if they can make any determination as to what type of training would be beneficial to the members.

SET DATE and TIME for CLOSED MEETING

Gary Herbert made a motion to set the date and time for a closed meeting to begin at 3:00 p.m. on February 20, 1998, to discuss pending or reasonably imminent litigation. Ty Lewis seconded the motion, which passed unanimously.

Ty Lewis made a motion to conclude the closed meeting at 3:10 p.m. on February 20, 1998. Monte Munns seconded the motion, which passed unanimously.

SET DATE and TIME for CLOSED MEETING

Monte Munns made a motion to set the date and time for a closed meeting to begin at 3:10 p.m. on February 20, 1998, to discuss the character, professional competence or physical or mental health of an individual. John Swasey seconded the motion, which passed unanimously.

Ty Lewis made a motion to conclude the closed meeting at 3:30 p.m. on February 20, 1998. Monte Munns seconded the motion, which passed unanimously.

OTHER BUSINESS

The next meeting of the Board of Trustees will be held on March 12, 1998 at 9:30 a.m. at the UAC Offices.

Upon termination of this Agreement for any reason, C&L shall immediately return all such material, and any copies thereof, to UACIM, without charge.

2. Indemnification and Insurance

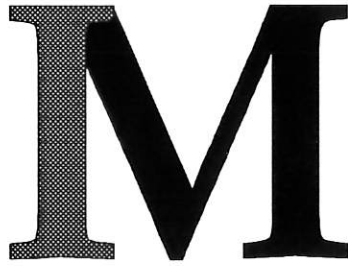
C&L agrees to indemnify, defend and hold harmless UACIM and its officers, trustees, and employees from any third party claims or action (and resultant loss, damage, liability and expense, including attorney's fees) for bodily injury and damage to tangible property to the extent caused directly and proximately by the negligence or willful misconduct of C&L, or its employees, agents or servants in the course of providing services hereunder. UACIM will give C&L prompt notice of any such claim and C&L will control the defense or settlement thereof.

UACIM agrees to indemnify, defend and hold harmless C&L and its officers, trustees, and employees from any third party claims or action (and resultant loss, damage, liability and expense, including attorney's fees) for bodily injury and damage to tangible property to the extent caused directly and proximately by the negligence or willful misconduct of UACIM, or its employees, agents or servants in the course of providing services hereunder. C&L will give UACIM prompt notice of any such claim and UACIM will control the defense or settlement thereof.

C&L will maintain Workers Compensation insurance to statutory limits and General Liability, Auto Liability, and Errors and Omissions Liability Insurance, each with limits of at least \$2 million, or such additional amounts as may be required by the Utah Commissioner of Insurance, throughout the term of this Agreement. C&L will provide evidence of Insurance upon request.

Limitation of Liability. NEITHER PARTY SHALL BE LIABLE FOR LOST PROFITS OR ANY OTHER CONSEQUENTIAL, INCIDENTAL, INDIRECT, PUNITIVE OR SPECIAL DAMAGES EVEN IF C&L HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. In any event, the liability of C&L to UACIM shall be limited to direct damages and shall not exceed the fees paid by UACIM to C&L for the particular Engagement Schedules(s) under which the claim arises or to which it relates. This limitation applies to all causes of action or claims in the aggregate, including without limitation, breach of contract, negligence, strict liability and other torts. Further, no cause of action which accrued more than two years prior to the filing of a suit alleging such cause may be asserted against either party.

3. Waiver of Nonperformance



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

Memorandum

To: UACIM Board
CC:
From: Shawn Guzman, Loss Control Manager
Date: 02/18/98
Re: Loss Control Report for February 1998

POST TRAINING

I have been meeting with Sheriff's Offices to drum up support for the Small Agency Skills Workshops. So far, we have commitments from five counties that have never participated in the course to send officers to the workshop. Small Agency Skills includes EVO courses as well as firearms training and arrest control techniques and legal training in arrest procedures and pursuits.

Brett and I have not determined the premium credits be reallocated to reward those counties who send officers to the Small Agency Skills Workshop or have completed similar training.

Doug has invited me to attend POST regional meeting to coordinate training efforts and to give input on areas where we have the greatest losses for the mutual.

PERSONNEL TRAINING (MAY 1998)

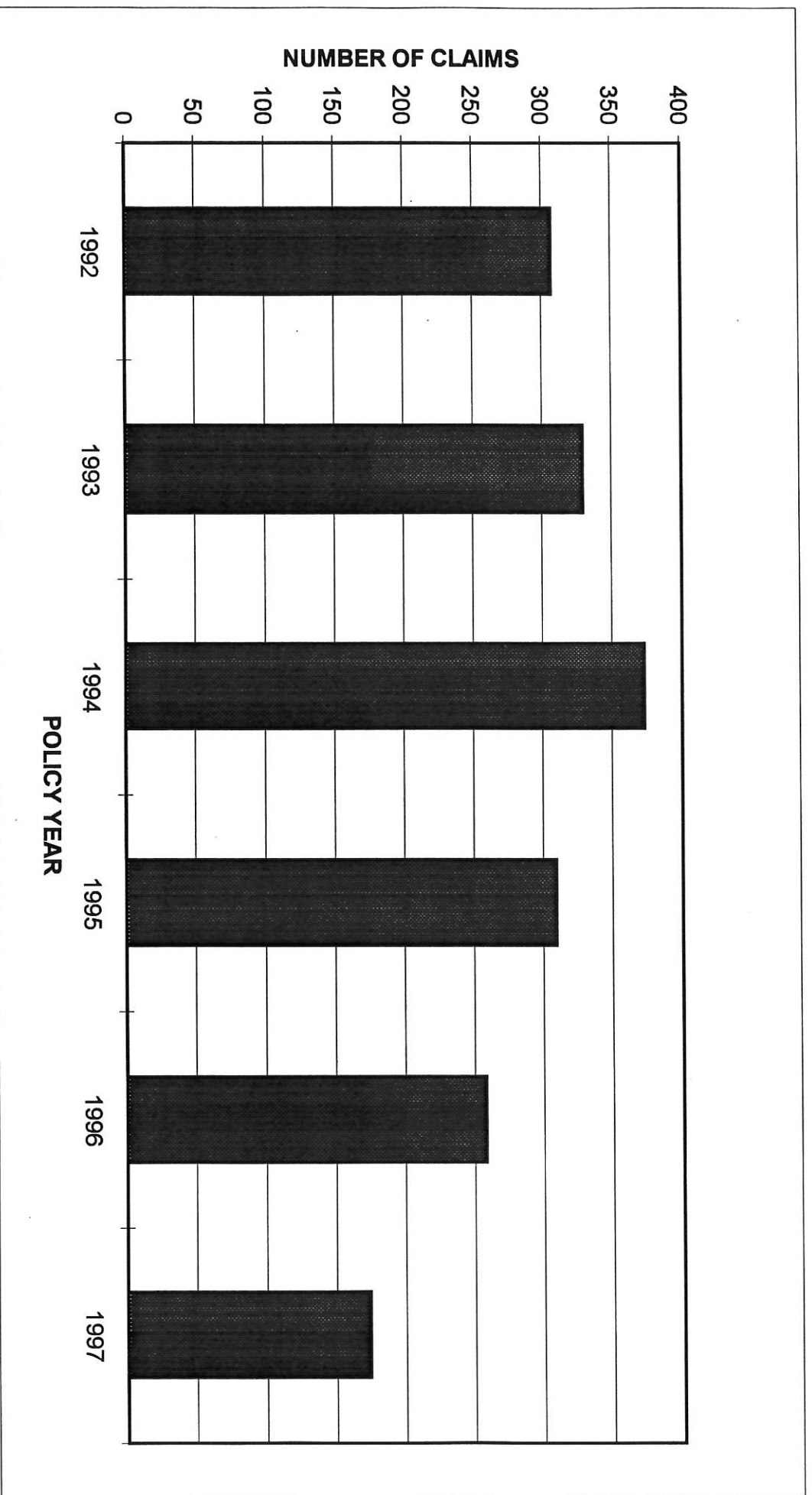
We have received numerous responses to our fax soliciting input from the personnel directors on workshops. The Personnel Committee will be meeting on March 5th to set a date for the workshop and selecting topics.

CONFIDENTIAL

ACTIVITIES IN FEBRUARY:

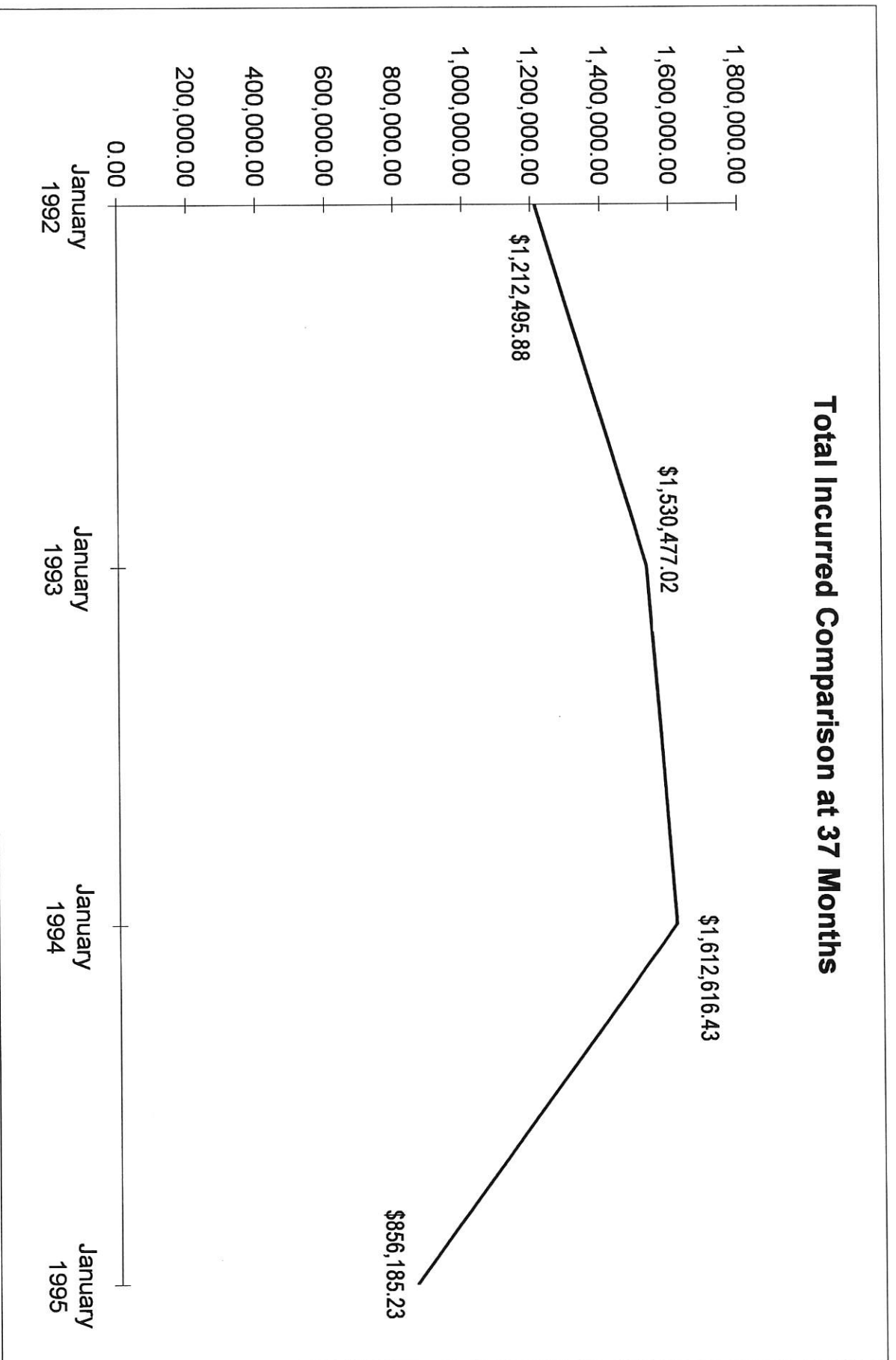
- * Met with Kane County and reviewed the Risk Management Program. Toured the road shop, courthouse, hospital and rodeo arena. I discovered that the arena valued at \$100,000 and the old hospital building, valued at \$1,000,000 were not on our property list. The contents value for the visitor's center was undervalued as well
- * Met with Tom Eagleston, chair of the safety committee, in Washington County regarding weed spraying. We have been assigned to conduct a weed spraying class at the roads school.
- * Met with Iron County to conduct an accident review. Inspected wind damage to the courthouse.
- Met with Garfield County Sheriff and Attorney regarding a personnel issue and reviewed the Risk Management Program. Discovered that the landfill was not listed on property schedule.
- Met with Beaver County to review the Risk Management Program.
- Met with Piute County Commission regarding the establishment of personnel policies. Commission approved resolution to establish policies.
- Discussed personnel problem with the Duchesne County Sheriff.
- Assisted Box Elder County in Sexual Harassment training.
- Will be attending jail standards training.
- Will be attending the Utah Weed Control Association meeting.
- Will be conducting additional sexual harassment training with Box Elder County.

UAC INSURANCE MUTUAL



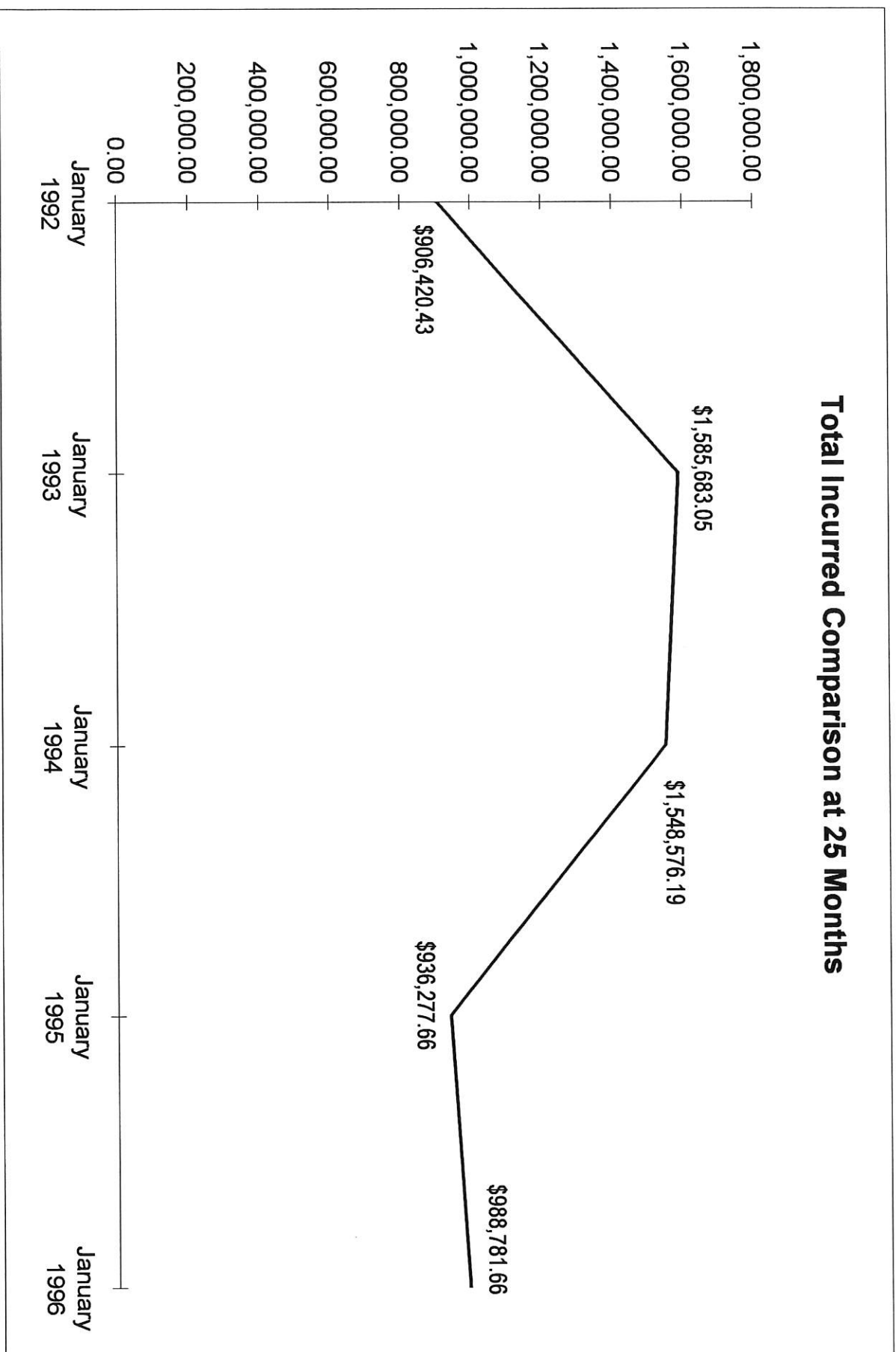
UAC Insurance Mutual

Total Incurred Comparison at 37 Months



UAC Insurance Mutual

Total Incurred Comparison at 25 Months



AFFIDAVIT OF GARY R. HERBERT

STATE OF UTAH)
 :SS
COUNTY OF SALT LAKE)

Gary R. Herbert, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.

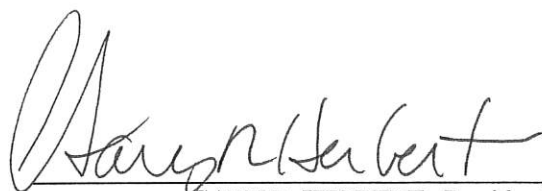
2. That the Affiant, on or about the 20 day of February, 1998, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.

3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.

4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

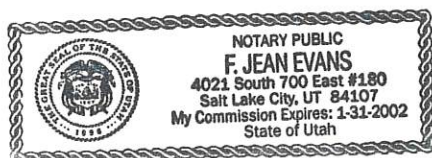
FURTHER, Affiant saith not.

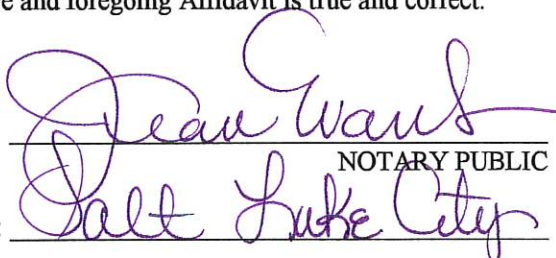
DATED this _____ day of _____, 1998.



GARY R. HERBERT, President
Utah Association of Counties Insurance Mutual

On the 20th day of February, 1998, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.




NOTARY PUBLIC
Residing at: Salt Lake City

My Commission Expires: _____

